#### Auditing Procedures Report v1.04

Reset Form

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Issued under Public Act 2 of 1968, as amended.										
Unit Name Village of Merrill		County SAGINAW	Туре	VILLAGE	MuniCode	73-3-030				
Opinion Date-Use Calendar Jun 24, 2008 Audit Submitted-Use Calendar Jul 15, 2008				Fiscal Year-Use Drop	List	2008				

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-atone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

## Place a check next to each "Yes" or non-applicable question below. Questions left upmarked should be those you wish to answer

"No	H							
X:	<ol> <li>Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?</li> </ol>							
X	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?							
ΙX	3. Were the local unit's actual expenditures within the amounts authorized in the budget?							
×	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?							
X	5. Did the local unit adopt a budget for all required funds?							
X	6. Was a public hearing on the budget held in accordance with State statute?							
×	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?							
X	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?							
X	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?							
X	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)							
X	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)							
X	12. Is the local unit free of repeated reported deficiencies from previous years?							
IX.	13. Is the audit opinion unqualified?  14. If not, what type of opinion is it?  NA							
X	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?							
×	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?							
X	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?							

General Fund Revenue:	\$ 333,331.00	G
General Fund Expenditure:	\$ 91,814.00	
Major Fund Deficit Amount:	\$ 0.00	

18. Are there reported deficiencies?

General Fund Balance:	\$ 88,160.00
Governmental Activities Long-Term Debt (see Instructions):	\$ 8,500.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

[X] 19. If so, was it attached to the audit report?

CPA (First Name)	Heather	Last Name	Thomas	Ten Dig					
CPA Street Address	4855 State Street	City	Saginaw	State I	νII	Zip Code 48603	Telephone	+1 (989) 7	90-3900
CPA Firm Name	Gardner, Provenzano, Schaun	Unit's S Address	itreet 148 West Sagina	w Stre	City M	lemili		LU Zìp 4	8637



CERTIFIED PUBLIC ACCOUNTANTS

## VILLAGE OF MERRILL

Merrill, Michigan

Financial Statements February 29, 2008

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## VILLAGE OF MERRILL VILLAGE COUNCIL. FOR THE YEAR ENDED FEBRUARY 29, 2008

#### Officers

David Novak

President

Jackie Novak

Treasurer

Janice Wazny

Clerk

Thos. J. Mayan

Street Administrator

<u>Trustees</u>

Tina Eddy

Norma Brown

Gary Siler

Mary Castellanos

Connie LaFleur

#### CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner Giacamo Provenzano James R. Schauman Heather A. Thomas

#### INDEPENDENT AUDITOR'S REPORT

June 24, 2008

Members of the Village Council Village of Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Village of Merrill, as of and for the year ended February 29, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village of Merrill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards prescribed by the State Treasurer, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Merrill, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Members of the Village Council Page Two June 24, 2008

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2008, on our consideration of the Village of Merrill, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted. principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Merrill, Michigan basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Sardner, Provenzano, Schaumans Themas, P.C.

Certified Public Accountants



Our discussion and analysis of the Village of Merrill's (Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended February 29, 2008. As allowed by GASB 34 for phase three governments, the Village of Merrill did not recognize infrastructure assets retroactively. In addition, the Village has opted to display information for all funds without regard to the criteria for determination of major funds.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements — The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's netal assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish between functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, highways and streets, sanitation, recreation, library and other equipment. The business-type activities include sewer and water services.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories, governmental and proprietary funds.

#### Overview of the Financial Statements (continued)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Major Street, Local Street, and Special Projects.

Proprietary Funds – The Village maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses its internal service funds to account for its equipment program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budget.

#### **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

February 29, 2008	Government Activities	Business-type Activities	Total
Assets Current assets Noncurrent assets Total Assets	\$ 398,313 382,627 780,940	\$ 295,334 5,657,508 5,952,842	\$ 693,647 6,040,135 6,733,782
Liabilities Current liabilities Noncurrent liabilities Total Liabilities	19,931 8,500 28,431	44,700 3,430,000 3,474,700	64,631 3,438,500 3,503,131
Net Assets Investment in capital assets Unrestricted Total Net Assets	382,627 369,882 \$ 752,509	2,187,508 290,634 \$ 2,478,142	2,570,135 660,516 \$ 3,230,651
February 28, 2007	Government Activities	Business-type Activities	Total
Assets Current assets Noncurrent assets Total Assets	\$ 554,990 367,903 922,893	\$ 277,583 3,819,744 4,097,327	\$ 832,573 4,187,647 5,020,220
Liabilities Current liabilities Noncurrent liabilities Total Liabilities	6,967 8,688 15,655	2,186 3,370,000 3,372,186	9,153 3,378,688 3,387,841
Net Assets Investment in capital assets Unrestricted Total Net Assets	367,903 539,335 \$ 907,238	449,744 275,397 \$ 725,141	817,647 814,732 \$ 1,632,379

Net assets may serve over time as a useful indicator of government's financial position. In the case of the Village, assets exceeded liabilities by \$3,230,651, as of February 29, 2008 for the total of Governmental and Business-type activities.

The largest portion of net assets (79.6%) reflects its investments in capital assets (e.g., land, land improvements, buildings, equipment and furniture, and vehicles). The Village uses these capital assets to provide service to citizens. Another portion of the Village's net assets (20.4%) reflects unrestricted net assets that may be used to meet the government's ongoing obligations.

#### Overview of the Financial Statements (continued)

#### GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

For the year ended February 29, 2008		ernmental Activities		siness-type Activities		Total
Revenues						
Program revenue	Φ.			00.400	•	400 440
Charges for services	\$	57,311	\$	63,138	\$	120,449
Operating grants and contributions		74,608		1,948,948		2,023,556
General revenue		000 007				000 007
Property taxes		202,027		-		202,027
State shared revenue		81,651				81,651
Unrestricted investment earnings		15,196		21,894		37,090
Other revenues		52,521		1,416		53,937
Transfers		(62,397)		62,397		- ·
Total Revenues		420,917		2,097,793		<b>2,518,710</b> .
Bragram Evanaga						
Program Expenses General government		95,292		_		95,292
		14,464		_		14,464
Public safety		48,765		-		48,765
Public works		302,733		-		302,733
Highways and Streets		•		-		27,911
Sanitation		27,911		-		14,492
Recreation		14,492		-		4,988
Other		4,988		-		4,900 67,001
Equipment		67,001		74.050		•
Sewer		-		74,059		74,059
Water				270,733		270,733
Total Program Expenses		575,646		344,792		920,438
Change in Net Assets		(154,729)		1,753,001		1,598,272
Net Assets-Beginning	- 41-	907,238	4	725,141	<u>e</u>	1,632,379
Net Assets-Ending	<u> </u>	752,509	<u> </u>	2,478,142	<u>\$</u>	3,230,651

#### Governmental Activities

Governmental activities had a decrease in net assets of \$(154,729) for the year ended February 29, 2008 as opposed to an increase of \$88,835 in the previous year. In the 2006-2007 fiscal year approximately \$450,000 more was recognized in revenue than in the 2007-2008 fiscal year. Most of the decrease was due to a federal and state grant received for preservation in highways and streets in the 2006-2007 fiscal year. In addition, the governmental activities transferred over to the water fund approximately \$25,000 more this year than the previous year.

For the year ended February 28, 2007	Governmental Activities		Business-type Activities		 Total		
Revenues							
Program revenue							
Charges for services	\$	55,754	\$	55,897	\$ 111,651		
Operating grants and contributions		407,082		-	407,082		
General revenue							
Property taxes		192,422		-	192,422		
State shared revenue		82,814		-	82,814		
Unrestricted investment earnings		20,377		10,093	30,470		
Other revenues		136,228		10,359	146,587		
Transfers		(25,540)	25,540		 		
Total Revenues	869,137		101,889		971,026		
Program Expenses General government Public safety Public works Highways and Streets		100,810 11,531 60,828 481,555		- - -	100,810 11,531 60,828.1 481,555		
Sanitation		26,976		_	26,976		
Recreation		15,111		-	15,111		
Library		4,036		_	4,036		
Other		250		_	250		
Equipment		79,205		_	79,205		
Sewer		· -		96,601	96,601		
Water		-		32,051	32,051		
Total Program Expenses		780,302		128,652	 908,954		
Change in Net Assets		88,835		(26,763)	62,072		
Net Assets-Beginning		818,403		751,904	1,570,307		
Net Assets-Ending	\$ 907,238				\$ 725,141		\$ 1,632,379

#### **Business-type Activities**

The Village operates a sewer treatment facility. This department operates from fees charged to the Village residents. Rates for this service are set to provide operations and maintenance. The sewer fund had an increase in net assets of \$189 as compared to the prior year decrease of \$(30,252). In the previous year, there were significant repairs that were required to the sewer lines and lift station.

The water fund had in increase in net assets of \$1,752,812 as compared to \$3,489 in the previous year. It should be noted that \$1,797,000 of the increase this year is due to the recognition of a federal grant for the water project. Accounting rules require that the revenue be recognized as non-operating revenue and the expense for the water project be capitalized. If not for the federal grant, there would have been a \$44,188 decrease in net assets. At this point, the user fees are no where near adequate to cover expenses. The general fund has been making transfers to this fund to cover expenses.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$276,719. Approximately 82% of this total amount constitutes unreserved fund balance.

For the fiscal year ended February 29, 2008 governmental fund balances changed as follows:

#### General Fund

The general fund had a decrease in fund balance of \$(129,583). This year the general fund transferred out \$155,000 to the major street fund to cover expenditures for the Alice street project. In addition, net transfer to the water fund amounted to \$66,397.

#### **Major Street Fund**

The major street fund had a decrease in fund balance of (\$3,484). This decrease was planned and was due to completion of the Alice street project.

#### Local Street Fund

The local street fund had a decrease in fund balance of \$(40,565). This decrease was mostly due to a transfer from the local street fund to the major street fund of \$50,000 for the Alice street project.

#### Special Projects Fund

The special projects fund had a decrease in fund balance of \$(35,375). The remodeling of the Village's office and the purchase of property were the most significant expenditures in this fund.

#### **Equipment Fund**

The equipment fund had an increase in fund balance of \$21,803. This fund purchased a generator in the fiscal year.

General Fund Budgetary Highlights – The Uniform Budget Act of the State of Michigan requires that the local governmental council approve the original budget for the upcoming fiscal year prior to the end of the current fiscal year. Over the course of the year, the Merrill Village Council revises its budget to reflect changes in revenues and expenditures. A budgetary comparison schedule showing the Village of Merrill's original budget and final amended budget compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

#### Original Budget vs. Final Budget

Management believes the variances between the original revenue budget and the final revenue budget were not significant.

Significant changes to the general fund original expenditure budget were as follows:

- The budget for general government was decreased by \$14,862. There were several reasons for this decrease. The Treasurer position was vacant for part of the year reducing the budget by approximately \$4,162. The expenditure for the office remodeling in the amount of \$6,000 was moved to the special projects fund. In addition, the insurance line item was decreased by \$3,900.
- Transfer out were increased by \$67,344 to subsidize the water fund.
- Transfer in were added to the budget in the amount of \$31,109 due to grant reimbursements in the water fund. The water fund was able to pay back the general fund for expenditures in previous years.

#### Final Budget vs. Actual

Management believes the variances in the final budget versus actual were insignificant.

#### Capital Assets

The Village's capital assets for its governmental activities and business-type activities were \$382,627 and \$5,657,508, respectively. These amounts are net of accumulated depreciation. Capital assets include land, land improvements, equipment and furniture, vehicles, buildings and water and sewer systems. The most significant capital asset addition was the completion of the water project. More detailed information about capital assets is presented in the notes to the financial statements.

#### **Debt Administration**

At the end of the fiscal year, the Village had total debt of \$3,478,500. The debt consisted of amounts due to employees for accumulated sick leave at February 28, 2007 of \$8,500 and contracts payable to Saginaw County in the amount of \$3,470,000 for the water project.

#### **Current Known Facts**

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year.

#### Request for Information

This report is designed to provide our stakeholders and taxpayers with a general overview of the Village of Merrill's finances. If you have questions about this report or need additional information, contact Village of Merrill, 148 W. Saginaw, Merrill, Michigan 48637.

**BASIC FINANCIAL STATEMENTS** 

#### VILLAGE OF MERRILL STATEMENT OF NET ASSETS FEBRUARY 29, 2008

		P	rimary	Government		
			В	usiness-		
	G٥١	/ernmental		type		
		ctivities		Activities		Total
Assets						
Current Assets						
Cash and investments	\$	332,163	\$	269,761	\$	601,924
Accounts receivable		19,591	·	25,573	•	45,164
Taxes receivable		10,707		-		10,707
Due from other governmental units		35,852		_		35,852
Total Current Assets		398,313		295,334		693,647
Noncurrent Assets						
Net capital assets		382,627		<u>5,657,508                                    </u>		5,040,135
Total Noncurrent Assets		382,627		5,657,508		6,040,135
Total Assets		780,940		5,952,842		3,733,782
<u>Liabiliti</u> es						
Current Liabilities						
Accounts payable		19,931		4,700		24,631
Current portion of contracts payable		-		40,000		40,000
Total Current Liabilities		19,931		44,700		64,631
				7.111.00		0 1,00 1
Noncurrent liabilities						
Due in more than one year		8,500	,	3,430,000	;	3,438,500
Total Noncurrent Liabilities		8,500		3,430,000		3,438,500
Total Liabilities		28,431		3,474,700		3,503,131
NI-4 A - 1						
Net Assets		000.00=		5 407 F00		
Invested in capital assets		382,627	- 7	2,187,508		2,570,135
Unrestricted		369,882		290,634	_	660,516
Total Net Assets	_\$_	752,509	_\$_	2,478,142	<u>\$</u>	3,230,651

#### VILLAGE OF MERRILL STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 29, 2008

Net (Expense) Revenue and Program Revenues Changes in Net Assets Primary Government Operating Charges for Grants and Governmental Business-type Contributions Activities Total Expenses Services Activities Functions/Programs Governmental activities: General Government \$ 95,292 \$ \$ (95,292)\$ (95,292)(14,464)14,464 (14,464)Public Safety Public Works 48,765 (48,765)(48,765)(228, 125)Highways & Streets 302,733 74,608 (228, 125)3,670 Sanitation 27,911 31,581 3,670 14,492 7,530 (6,962)(6,962)Recreation (4,988)Other 4,988 (4,988)Equipment 67,001 18,200 (48,801)(48,801)575,646 57,311 74,608 (443,727) (443,727)Total governmental activities Business-type Activities: 74,059 61,172 (12,887)(12,887)Sewer Fund 1,966 1,948,948 1,680,181% 1,680,181 Water Fund 270,733 1,667,294 1,667,294 Total business-type activities 344,792 63,138 1,948,948 120,449 1,667,294 Total primary government 920,438 \$ 2,023,556 (443,727)1,223,567 General Revenues: Property Taxes 202,027 202,027 State Shared Revenue 81,651 81,651 Unrestricted investment earnings 15,196 21,894 37,090 1,416 53,937 52,521 Other revenues (62,397)62,397 Transfers Total general revenues 288,998 85,707 374,705 Change in net assets (154,729)1,753,001 1,598,272 Net assets - beginning 907,238 725,141 1,632,379 \$ 3,230,651 Net assets - ending 752,509 \$ 2,478,142

#### VILLAGE OF MERRILL GOVERNMENTAL FUNDS BALANCE SHEET February 29, 2008

		Seneral		Major		Local		pecial rojects	_		Total ernmental Funds
Assets	•	40.057	rh.	00.000	<b>ው</b>	07 706	æ	E4 000		ሎ	004.450
Cash and investments	\$	43,057	\$	39,093	\$	87,786	\$	51,223		\$	221,159
Taxes receivable		8,908		899		900		-			10,707
Accounts receivable		19,591		-		-		-			19,591
Due from other governmental units		24,872		8,011		2,969					35,852
Total Assets	\$	96,428	\$	48,003	\$	91,655	\$	51,223	;	\$	287,309
Liabilities and Fund Equity											
Liabilities											
Accounts Payable	\$	8,268	\$	61	\$	61	\$	2,200		\$	10,590
Total Liabilities		8,268_		61		61		2,200			10,590
Fund Equity											
Unreserved		88,160		47,942		91,594		-	í.		227,696
Designated								49,023			49,023
Total Fund Equity		88,160		47,942		91,594		49,023			276,719
Total Liabilities											
and Fund Equity	\$	96,428	_\$_	48,003	_\$_	91,655	\$	51,223	,	\$	287,309

# VILLAGE OF MERRILL RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS February 29, 2008

Fund balances of governmental funds	\$ 276,719
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.  Cost of the capital assets  Accumulated depreciation	595,386 (212,759)
Long-term liabilities are not due and payable incurrent period; and therefore, are not reported in the funds.  Compensated absences	(8,500)
Internal service funds are used by management to charge the costs of fleet management to individual funds  The assets and liabilities of the internal service funds are included in governmental activities in the statement.	101,663
Net assets of governmental activities	\$ 752,509

#### VILLAGE OF MERRILL GOVERNMENTAL FUNDS STATEMENTS OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED FEBRUARY 29, 2008

	General			Major Street		Local Street		pecial rojects		Total ernmental Funds
Revenue							'			
Taxes	\$ 168,9		\$	16,549	\$	16,54 <del>9</del>	\$	-	\$	202,027
Intergovernmental revenues	81,6			58,082		16,526		-		156,259
Charges for services	31,5	81		-		-		-		31,581
Interest	4,3	21		1,267		4,365		2,361		12,314
Miscellaneous	23,6	39		-#		-		-		23, <del>6</del> 39
Refunds and reimbursements	23,2	<u>10</u>		31,100						54,310
Total Revenue	333,3	31_		106,998		37,440		2,361	_	480,130
Expenditures										
General government	95,0	54		-		-				95,054
Public safety	14,4	64		-		-				14,464
Public Works	58,2	11	,			· -		-		58,211
Highways and streets	17,6	87		315,482		28,005				361,174
Sanitation	27,9			-		-		<b>-</b> ·		27,911
Recreation	28,1	90		-		-		-		28,190
Capital Outlay		-		-		-		36,730		36,730
Other expenses					_			4,988		4,988
Total Expenditures	241,5	17		315,482		28,005		41,718		626,722
Excess (Deficiency) of										
Revenues over Expenditures	91,8	14_		(208,484)		9,435		(39,357)	_	(146,592)
Other Financing Sources (Uses)										
Operating transfers in	31,1	81		205,000				4,000		240,181
Operating transfers (out)	(252,5	78)				(50,000)				(302,578)
Total Other Financing										
Sources (Uses)	(221,3	97)		205,000		(50,000)		4,000		(62,397)
Excess (deficiency) of Revenues and Other Sources Over										
Expenditures and Other Uses	(129,5	83)		(3,484)		(40,565)		(35,357)		(208,989)
Fund Balances, Beginning	217,7	<u>'43</u>		51,426		132,159		84,380		485,708
Fund Balances, Ending	\$ 88,1	60	\$_	47,942	\$	91,594	\$	49,023	\$	276,719

#### VILLAGE OF MERRILL

#### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 29, 2008

Net change in fund balancestotal governmental funds	\$ (208,989)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.  Depreciation expense Capital Outlay	(4,461) 36,730
In the statement of activities, certain expenses (compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid).  Compensated absences	188
Internal service funds are used by management to charge the costs of fleet management to individual funds.  The expenses and revenues of the internal service funds are included in governmental activities in the statement	21,803
Change in net assets of governmental activities	\$ (154,729)

#### VILLAGE OF MERRILL PROPRIETARY FUNDS STATEMENT OF NET ASSETS February 29, 2008

	Busines Activi Enterpris	ties		Ad	ernmental ctivities- nternal vice Fund
	 Sewer		Water	Ec	uipment
<u>Assets</u>					
Current assets:					
Cash	\$ . 18,379	\$	-	\$	<b>111,</b> 004
Investments	251,382		-		-
Accounts receivable	 25,025		548		
Total current assets	294,786		548		111,004
Noncurrent assets:					
Capital assets	1,084,545	5	5,263,227		274,062
Accumulated depreciation	(655,409)		(34,855)		(192,713)
Total noncurrent assets	429,136		5,228,372		81,349
Total Assets	\$ 723,922	\$ 5	,228,920	\$	192,353
<u>Liabilities and Net Assets</u> Current Liabilities  Accounts payable  Current portion of contracts payable  Total Current Liabilities	\$ 2,081	\$	2,619 40,000 42,619	\$	9,341  9,341
Noncurrent Liabilities					
Contracts payable (net of current portion)	_	;	3,430,000		-
Total Liabilities	2,081		3,472,619		9,341
Net Assets		-			
Investment in capital assets	429,136		1,758,3 <b>7</b> 2		81,349
Unrestricted	 292,705		(2,07 <u>1)</u>		101,663
Total Net Assets	 721,841		1,756,301	-	183,012
Total Liabilities and Net Assets	\$ 723,922	\$	5,228,920	\$	192,353
	 				- ·

# VILLAGE OF MERRILL PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET ASSETS FOR THE YEAR ENDED FEBRUARY 29, 2008

		Business Activiti Enterprise Sewer	ies Fund	<i>N</i> ater	Ad II Sen	ernmental ctivities- nternal vice Fund uipment
Operating Revenues	_		_			
Charge for services	_\$	61,172	_\$_	1,966	_\$	95,865
Operating Expenses						
Wage and benefits		25,942		44,325		9,750
Audit		1,223				1,155
Administrative charge		8,636		_		7,265
Supplies		3,076		24,015		3,923
Utilities		1,078		5,383		4,936
Insurance		1,155		1,177		5,413
Building rental		2,678		-		2,678
Equipment rental		8,354		10,580		,
Depreciation		17,075		34,855		24,346
Equipment repairs		, -		<del>-</del>		. 80
Miscellaneous		4,842		8,170		17,398
Total Operating Expenses		74,059		128,505		76,944
Operating Loss		(12,887)		(126,539)		18,921
Nonoperating Revenues (Expenses)						
Interest earned		11,660		10,234		2,882
Insurance proceeds		1,416		, _		<i>.</i> -
Interest expense		· -	(	(142,228)		-
Contributions from other governments		_		151,948		-
Contributed capital			1.	,797,000		_
Net Nonoperating Revenues		13,076	1.	,816,954		2,882
Net Income (Loss) before transfers out		189	1	,690,415		21,803
Transfers in (out)				62,397		
Change in net assets		189	1	,752,812		21,803
Net assets at beginning of year Net assets at end of year	\$	721,652 721,841	\$1	3,489 ,756,301	<u> </u>	161,209 183,012

See accompanying notes and accountant's report.

#### VILLAGE OF MERRILL

#### PROPRIETARY FUND

#### STATEMENT OF CASH FLOWS

#### FOR THE YEAR ENDED FEBRUARY 29, 2008

		Busines				ernmental-
		Activ				ies-Internal
		Enterpris Sewer				vice Fund uipment
Cash Flows From Operating Activities		004401		***************************************		шрттоги
Receipts from customers	\$	68,048	\$	1,418	\$	-
Payments to suppliers	*	(11,435)	•	(36,170)	,	(24,782)
Payments to employees		(25,942)		(44,325)		(9,750)
Internal activity - Net payments to other funds		(19,668)		(10,580)		85,922
Net cash provided by (used in) operating activities		11,003		(89,657)		51,390
Cash Flows from Capital and Related Financing Activities						
Purchase of capital assets		-	ı	(1,889,694)		(6,800)
Insurance proceeds		1,416		~		-
Proceeds from issuance of debt		-		100,000		-
Governmental grant		-		1,797,000		-
Interest paid		-		(142,228)		-
Contributions from other governments				151,948		
Net cash provided by (used in) capital and related financing activities		1,416		17,026		(6,800)
Cash Flows from Noncapital Financing Activities:						
Transfer from (to) other funds		<del></del>		62,397		
Net cash provided by (used in) noncapital and financing activities		<u> </u>		62,397		-
Cash Flows from Investing Activities						
Interest received on investments		11,660		10,234		2,882
Net cash provided by (used in) investing activities	-	11,660		10,234		2,882
Net Increase (Decrease) in Cash and cash equivalents		24,079		-		47,472
Cash and cash equivalents - Beginning of year		245,682				63,532
Cash and cash equivalents - End of year	\$	269,761	<u>.</u> \$		<u>\$</u>	111,004
Reconciliation of Operating Income (Loss) to Net Cash						
from Operating Activities						
Operating Income (Loss)	\$	(12,887)	\$	(126,539)	\$	18,921
Adjustments to reconcile operating income (loss) to						
net cash from operating activities						
Depreciation		17,075		34,855		24,346
Changes in assets and liabilities						
Receivables		6,876		(548)		-
Accounts payable		(61)		2,576		8,123
Net Cash provided by (used in) operating activities	<u>\$</u>	11,003	\$	(89,657)	\$	51,390

**NOTES TO FINANCIAL STATEMENTS** 

#### NOTE 1--Description of Village Operations and Fund Types

The Village of Merrill, located in Saginaw County, Michigan, was incorporated as a general law village under the provisions of Act 3 of 1895, as amended. The Village operates under an elected Village Council to provide municipal services to approximately 782 residents.

The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Village. Educational services are provided through a local school district, which is a separate governmental entity; therefore, these services are not represented in the financial statements included herein. In addition, this report does not include the financial statements of the Merrill Public Library which operates autonomously under an intergovernmental service agreement.

The financial statements of the Village of Merrill are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Village reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that cannot be attributed directly to any one function are not included among program revenues and are reported instead as general revenue.

#### NOTE 1--Description of Village Operations and Fund Types (continued)

#### Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements. At this time, all of the Village's funds are considered major.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences are recorded only when payment is due.

Property taxes and State-shared revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Village uses the following fund types:

#### Governmental Funds

General Fund.—The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1--Description of Village Operations and Fund Types (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

#### Proprietary Funds

Enterprise Funds--Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds--Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's governmental and proprietary funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### NOTE 1--Description of Village Operations and Fund Types (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### (continued)

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash

Cash includes cash on hand and demand deposits. The Village considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

#### **Investments**

Investments include certificates of deposit and are stated at fair value.

#### Receivables

Receivables consist of all revenues earned at year-end but not yet received.

#### Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in the Enterprise Funds. Supplies, which are also immaterial in amount, are treated as expenditures at the time of purchase in the Governmental Fund types.

#### Prepaid

Prepaid amounts consist of payments for which the Village will have a future benefit and will be used up at a date beyond the current year-end.

#### Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The

#### NOTE 1--Description of Village Operations and Fund Types (continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### (continued)

Village owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Equipment and other 3-10 years
Vehicles 6 years
Buildings 50 years
Other equipment 5-12 years

The Village elected not to retroactively report Governmental Fund infrastructure assets, which is allowable under the provisions of GASB 34.

#### Accounts Payable

Accounts payable consist of items from which the Village benefited during the current fiscal year but has not yet paid.

#### Accrued Compensated Absences

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at February 29, 2008, was \$8,500.

#### **Budgets and Budgetary Accounting**

The Village employs the following procedures in establishing budgetary data reflected in the financial statements:

- a. Several months prior to March 1 of each year, the Treasurer/Budget Director submits a budget for the ensuing fiscal year to the Council for review and possible revision.
- b. Prior to March 1 of each year, a public hearing is conducted to obtain taxpayers' comments.
- c. Prior to March 1 of each year, the budget is approved.
- d. Budget amounts as originally adopted are amended by the Village Council as necessary throughout the year.

#### NOTE 2--Excess of Expenditures over Appropriation in Budgetary Funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

During the year ended February 29, 2008, the Village incurred expenditures in excess of the amounts appropriated as illustrated in the supplemental information.

#### NOTE 3--Investments and Deposits

The Village is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Village is also authorized to invest in the following:

- a. direct bonds and obligations of the U.S. or agency or instrumentality.
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. commercial paper within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. bankers' acceptance of U.S. banks,
- f. mutual funds investments which local unit can make directly.

All investments and deposits for the Village of Merrill are held at a single federally insured financial institution. The FDIC insures up to \$100,000 in demand deposits. However, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for purposes of applying the \$100,000 limits. At February 29, 2008, the investments held by the Village were certificates of deposit.

It is the policy of the Village of Merrill council to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow need of the Village and comply with all State statutes governing the investment of public funds.

#### NOTE 3--Investments and Deposits (continued)

A summary of investments and deposits as of February 29, 2008, follows:

Insured	\$ 100,000
Collateralized	-
Uncollateralized uninsured	 643,215
Total	\$ 743,215

#### NOTE 4--Property Taxes

Property taxes are levied each July 1 on the state equalized valuation of property located within the Village. Uncollected real property taxes are turned over to Saginaw County for collection. The County reimburses the Village 100% for the delinquent real taxes which is normally received in May or June. The amount of this reimbursement is recognized in the financial statements as taxes receivable.

For the year ended February 29, 2008, the Village Council assessed 11.6896 mills for operations and 2.3388 mills for streets based on the taxable value of \$12,571,651, which represents both real and personal property taxes. The mills assessed were reduced for Headlee rollback.

#### NOTE 5--Defined Contribution Retirement Plan

The Village provides pension benefits for all eligible employees through the Village of Merrill Employees Retirement Pension Plan, a defined contribution plan. The plan can be amended by the Village Council. During the year ended February 29, 2008, the Village contributed 2% of annual compensation for eligible employees. During the year, contributions of \$2,592 were made on behalf of the covered employees by the Village of Merrill.

#### NOTE 6--Debt

Long-term liabilities at February 29, 2008 consists of the following:

Types of Indebtedness Business-type Activities	Maturity	Interest Rates	Annual Principal Installments	 Original Issue Amount	Outstanding at Year-End
Water Contract-Saginaw County	2047	4.500%	\$ 30,000-70,000	\$ 2,415,000	\$ 2,415,000
Water Contract-Saginaw County	2047	4.38%	\$10,000-35,000	\$ 1,055,000	\$ 1,055,000

#### NOTE 6—Debt (continued)

Changes in long-term debt are summarized below:

. · ·		Beginning	 dditions	Retin	ements	Ending	Curre	ent Portion
Governmental Activities Accrued compensated absences	<u>\$</u>	8,688	\$ 	\$	188	\$ 8,500	\$	
Business-type Activitles								
Water Contract-Saginaw County	\$	1,055,000	\$ -	\$	-	\$ 1,055,000	\$	10,000
Water Contract-Saginaw County		2,315,000	 100,000			 2,415,000		30,000
	\$	3,370,000	\$ 100,000	\$		\$ 3,470,000	\$	40,000

Annual debt service requirements to maturity for the above business-type contract are as follows:

Business-type	ACTIVITIES
Intoro	-4

	_	401110	', p- '	
Fiscal Year Ending	 Principal		Interest	 Total
2009	\$ 40,000	\$	154,832	\$ 194,832
2010	45,000		153,044	198,044
2011	65,000		151,038	216,038
2012	65,000		148,132	213,132
2013	70,000		145,226	215,226
2014-2018	400,000		676,338	1,076,338
2019-2023	425,000		583,256	1,008,256
2024-2028	460,000		485,940	945,940
2029-2033	475,000		381,316	856,316
2034-2038	485,000		275,152	760,152
2039-2043	520,000		163,624	683,624
2044-2047	420,000		46,814	466,814
Totals	\$ 3,470,000	\$	3,364,712	\$ 6,834,712

For the year ended February 29, 2008, the total interest paid on debt was \$142,228.

#### NOTE 7--Capital Assets

A summary of the changes in capital assets follows:

		Balance		dditions/	-	osais/		Balance
	E	Beginning	<u></u>	ansfers	Tran	sfers		Ending
GOVERNMENTAL ACTIVITIES								
Capital assets not subject to depreciation								
Land	_\$	117,416	\$	15,324	\$		_\$	132,740
Subtotal		117,416		15,324		-		132,740
Capital assets subject to depreciation					,			
Land Improvements		17,200		-		-		17,200
Buildings		161,507		21,406		-		182,913
Machinery & equipment		112,548		6,800		_		119,348
Vehicles		143,185				_		143,185
Subtotal		434,440		28,206	,	_		462,646
Accumulated Depreciation		183,953		28,806		-		212,759
Net capital assets being depreciated		250,487		(600)				249,887
	_		\$	14,724	\$		\$	382,627
Net governmental capital assets	\$	367,903	<u> </u>	17,167				
Net governmental capital assets		Balance Beginning	A	dditions/ ransfers	Disp	osals/	<u> </u>	Balance Ending
Net governmental capital assets  BUSINESS-TYPE ACTIVITIES		Balance	A	dditions/	Disp			Balance
		Balance	A	dditions/ ransfers	Disp			Balance Ending
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land		Balance Beginning 22,442	A	dditions/	Disp Trar	nsfers -	\$	Balance Ending
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project		Balance Beginning 22,442 3,373,533	Ai	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal		Balance Beginning 22,442	Ai	dditions/ ransfers	Disp Trar \$	nsfers -		Balance Ending 57,442
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation		Balance Beginning 22,442 3,373,533 3,395,975	Ai	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442 - 57,442
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings		Balance Beginning 22,442 3,373,533 3,395,975	Ai	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442 - 57,442 164,644
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings Collection systems		Balance Beginning 22,442 3,373,533 3,395,975	A/ \$	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442 - 57,442 164,644 868,891
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings Collection systems Distribution systems		Balance Beginning 22,442 3,373,533 3,395,975 164,644 868,891	A/ \$	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442 - 57,442 164,644 868,891 5,228,227
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings Collection systems		Balance Beginning 22,442 3,373,533 3,395,975	Ai Ti	dditions/ ransfers 35,000	Disp Trar \$	73,533		Balance Ending 57,442 57,442 164,644 868,891 5,228,227 28,568
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings Collection systems Distribution systems Machinery & equipment		Balance Beginning 22,442 3,373,533 3,395,975 164,644 868,891	Ai Ti	35,000 - 35,000 - 35,228,227	Disp Trar \$	73,533		Balance Ending 57,442 - 57,442 164,644 868,891 5,228,227 28,568 6,290,330
BUSINESS-TYPE ACTIVITIES Capital assets not subject to depreciation Land Construction in progress Water Project Subtotal Capital assets subject to depreciation Buildings Collection systems Distribution systems Machinery & equipment Subtotal		Balance Beginning 22,442 3,373,533 3,395,975 164,644 868,891 - 28,568 1,062,103	\$ 5	35,000 - 35,000 - 35,228,227	Disp Trar \$ 3,3 3,3	73,533		Balance Ending 57,442 - 57,442 164,644

#### VILLAGE OF MERRILL NOTES TO FINANCIAL STATEMENTS

#### NOTE 7--Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental a	ctivities:
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General government	\$	238
Public works		3,462
Recreation		760
Equipment	2	24,346
Total governmental activities	\$ 2	28,806
Business-type activities:		
Sawar	φ.	17 075

Sewer	\$ 17,075
Water	34,855
Total business-type activities	\$ 51,930

#### NOTE 8--Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and Since 1992, the Village Council has participated in the natural disasters. Michigan Municipal Worker's Compensation Self Insurer's Fund (SIF), a public entity risk pool currently operating as a common risk management program for Municipalities in the State of Michigan. The Village pays an annual premium to SIF for its worker's compensation coverage. The SIF is self-sustaining through member premiums.

In the event of unusually high claims, the SIF has the authority to bill the Village retroactively. The Village continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

#### NOTE 9--Special Projects Fund Balance

Fund balance is designated for future projects at the Council's discretion.

### VILLAGE OF MERRILL NOTES TO FINANCIAL STATEMENTS

#### NOTE 10--Inter-fund Transfers

#### Transfers In/Out

Transfer	Transfers Out			
Major streets	\$ 155,000	General	\$	155,000
Major streets	50,000	Local		50,000
Special projects	4,000	Water		4,000
General	31,18 <b>1</b>	Water		31,181
Water	97,578	General		97,578

Transfers into the major street fund from the general fund and local street fund were to cover the cost of contracted services for the Alice street project.

The transfers from the water fund to special projects and the general fund were to reimburse those funds for expenditures made on behalf of the water fund.

The transfer from the general fund to the water fund was to cover costs in the water fund not covered by user fees.

#### NOTE 11-Water Fund Construction and Financing Contract

The Village of Merrill in conjunction with Jonesfield Township entered into a contract with the County of Saginaw dated June 1, 2004. The contract provides for the construction and financing of a municipal water system. The County of Saginaw issued two bond series to pay the cost of construction in the amount of \$1,055,000 and \$2,415,000 and bear interest rates of 4.375% and 4.50% respectively. In addition, federal grants in the amount of \$2,035,000 were approved to cover some of the costs of the project. At February 29, 2008, \$1,797,000 had been received by the County. Jonesfield Township has levied a special assessment on the residents in the water district to cover principal and interest on the bonds.

#### NOTE 12--Federal Grants

Federal grants for the construction of the water project were received and administered by Saginaw County. The grants were audited as a major program in Saginaw County's audit and treated as a pass through grant by the Village of Merrill.

REQUIRED SUPPLEMENTAL INFORMATION

## Village of Merrill Budgetary Comparison General Fund For the Year Ended February 29, 2008

	Original Budget	Final Budget	Actual Results
Revenues			
Taxes	\$ 163,096	\$ 168,885	\$ 168,929
Intergovernmental revenues	87,456	81,980	81,651
Charges for services	32,661	30,450	31,581
Interest	6,284	4,200	4,321
Miscellaneous	24,442	23,150	23,639
Reimbursements	30,242_	23,242	23,210
Total Revenues	344,181	331,907	333,331
Expenditures			
Current			
General government	111,976	97,114	95,054
Public safety	13,703	14,503	14,464
Public works	65,839	57,168	58,211
Highways and streets	17,100	16,900	17,687
Sanitation	27,101	27,101	27,911
Recreation	34,438_	28,142	28,190
Total Expenditures	270,157	240,928	241,517
Excess (Deficiency) of			
Revenues Over Expenditures	74,024	90,979	91,814
Other Financing Sources (Uses)			
Transfers (out)	(180,000)	(247,344)	(252,578)
Transfers in	<u></u>	31,109	31,181
Total Other Financing Sources (Uses)	(180,000)	(216,235)	<u>(221,397)</u>
Excess (Deficiency) of			
Revenues and Other Financing			
Sources Over Expenditures	(105,976)	(125,256)	(129,583)
Fund Balance, Beginning	217,743	217,743	217,743
Fund Balance, Ending	\$ 111,767	\$ 92,487	\$ 88,160

See accompanying notes and accountant's report.

#### Village of Merrill Budgetary Comparison Major Street Fund For the Year Ended February 29, 2008

E	Original Budget		Final Budget	-	Actual Results
\$	17,200	\$	16,834	\$	16,549
	56,445		56,930		58,082
	4,000		1,197		1,267
	2,500		31,100		31,100
	80,145		106,061		106,998
	275,588_		314,325		315,482
	275,588		314,325		315,482
	(195,443)		(208,264)	(	208,484 <u>)</u>
	200,000		205,000		205,000
	4,557		(3,264)		(3,484)
	51.426		51,426		51,426
\$	55,983	\$	48,162	\$	47,942
	\$	### Budget  \$ 17,200	Budget  \$ 17,200 \$ 56,445 4,000 2,500 80,145  275,588 275,588  (195,443)  200,000  4,557 51,426	Budget       Budget         \$ 17,200       \$ 16,834         56,445       56,930         4,000       1,197         2,500       31,100         80,145       106,061         275,588       314,325         275,588       314,325         (195,443)       (208,264)         200,000       205,000         4,557       (3,264)         51,426       51,426	Budget       Budget       F         \$ 17,200       \$ 16,834       \$ 56,930         \$ 4,000       \$ 1,197       \$ 2,500       \$ 31,100         \$ 80,145       \$ 106,061       \$ 314,325       \$ 3275,588       \$ 314,325       \$ 3275,588       \$ 314,325       \$ 3275,588       \$ 314,325       \$ 3275,588       <

OTHER SUPPLEMENTAL INFORMATION

## VILLAGE OF MERRILL GENERAL FUND COMPARATIVE BALANCE SHEETS FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

<u>Assets</u>	2008	2007
Cash and investments Taxes receivable Accounts receivable Prepaids Due from State of Michigan Total Assets	\$ 43,057 8,908 19,591 - 24,872 \$ 96,428	\$ 185,158 11,649 15,278 450 10,957 \$ 223,492
<u>Liabilities and Fund Balance</u>		
Liabilities Accounts payable Total Liabilities	\$ 8,268 8,268	\$ 5,749 5,749
Fund Balance Unreserved Total Liabilities and Fund Balance	88,160 \$ 96,428	217,743 \$ 223,492

## STATEMENT OF REVENUES-BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

	 2008						2007
	 Budget		Actual	(L	Over Inder) udget		Actual
Revenues							
Taxes							
Property taxes	\$ 168,885	\$	168,929	\$	44	\$	163,528
Intergovernmental revenues							
Sales tax	81,000		80,676		(324)		81,833
Liquor license	980		975		(5)		980
Charges for services							
Garbage collection	30,450		31,581		1,131		31,364
Reimbursements	23,242		23,210		(32)		131,352
Miscellaneous							
Park agreements	7,286		7,530		244		6,971
Interest earned	4,200		4,321		121		7,422
Building rental	7,498		7,498		-		7,498
Miscellaneous	8,366		8,611		245		10,324
Transfers in	 31,109		31,181		72		55,000
Total Revenues	\$ 363,016	\$	364,512	\$	1,496	\$	496,272

### STATEMENT OF EXPENDITURES—BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

			2008				2007
			·-	Ove	r (Under)		
	E	Budget	 Ac <u>tual</u>	E	Budget		<u>Actual</u>
Expenditures							
General government							
Council wages and benefits	\$	14,260	\$ 11,044	\$	(3,216)	\$	12,763
Village Presidents wages		1,650	1,250		(400)		1,600
Office Manager		34,556	34,751		195		32,754
Clerk		900	954		54		1,098
Treasurer		4,245	4,680		435		8,637
Accounting		2,500	2,748		248		1,261
Legal		1,100	1,058		(42)		464
Planning commission		2,000	2,205		205		2,350
Inspection department		5,841	5,841		-		5,533
Insurance		5,380	5,378		(2)		9,129
Utilities		3,550	3,599		49		4,430
Other general government		21,132	21,546		414		20,237
Total General Government		97,114	95,054		(2,060)		100,256
Public Safety							
Supplies		3,100	3.050		(50)		2,742
Miscellaneous		10,943	10,935		(8)		8,433
Equipment maintenance		460	479		19		356
Total Public Safety		14,503	14,464		(39)		11,531
Public Works							
Wages and benefits		27,392	27,526		134		38,176
Supplies		5,200	5,459		259		4,326
Equipment rental		13,218	12,864		(354)		13,755
Other		11,358	12,362		1,004		6,458
Total Public Works		57,168	 58,211		1,043		62,715
Highways and Streets							
Street lights		15,000	15,622		622		15,267
Traffic lights		1,900	2,065		165		2,060
Total Highways and Streets		16,900	17,687		787	_	17,327

## STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

			2007	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures Sanitation	27,101	27,911	810	26,976
Recreation				
Wages and benefits	9,978	9,978	-	11,535
Building maintenance	120	120	~	-
Operating supplies	1,695	1,899	204	941
Insurance	1,149	1,149	-	769
Utilities	742	586	<b>(</b> 156)	651
Miscellaneous	-	-	-	
Equipment rental			Lay b	
Total Recreation	28,142	28,190_	48_1	26,316_
Library				
Insurance		<u> </u>		4,036_
Total Library				4,036
07-1-0-4				
				7 159
				·
Total Capital Odday				7,130
Total Expenditures	240,928	241,517_	589	256,315
Other Financing Uses Operating transfers out				
Special projects	-	<u>.</u>		70,000
Water fund	92,344	97,578	5,234	35,540
Major street	155,000	155,000	_	
Total Other Financing Uses	247,344	252,578	5,234	105,540
Financing Uses	sr \$ 488,272	\$ 494,095	\$ 5,823	\$ 361,855
Operating supplies Insurance Utilities Miscellaneous Equipment rental Total Recreation  Library Insurance Total Library  Capital Outlay Public works Total Capital Outlay  Total Expenditures  Other Financing Uses Operating transfers out Special projects Water fund Major street  Total Other Financing Uses Total Expenditures and Other	1,149 742 14,458 28,142 	1,149 586 - 14,458 28,190 - - - 241,517 97,578 155,000 252,578	(156)	769 651 455 11,965 26,316 4,036 4,036 4,036 7,158 7,158 256,315 70,000 35,540

## VILLAGE OF MERRILL SPECIAL REVENUE FUNDS

Major Street Fund

Local Street Fund

Special Projects Fund

## VILLAGE OF MERRILL MAJOR STREET FUND COMPARATIVE BALANCE SHEETS FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

#### <u>Assets</u>

<del></del>		2008		2007
Cash	\$	39,093	\$	42,175
Taxes receivable		899		1,147
Due from State of Michigan		8,011		8,104
Total Assets	\$	48,003	\$	51,426
<u>Liabilities and Fund Balance</u> Liabilities Accounts payable Total Liabilities	_\$	61_	\$	<u>-</u>
Unreserved Total Liabilities and Fund Balance	<u> </u>	47,942 48,003		51,426 51,426
TOTAL ELAPHINES AND TUNO DAMANCE	Ψ	70,000	Ψ	V1,720

#### Major Street Fund

### Statement of Revenues, Expenditures, and Changes

## in Fund Balance--Budget and Actual for the Year Ended February 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

(With Comparative Actual Amounts	TO THE TERM	20, 2001 /	2007	
		2008	Over (Under)	
	Budget	Actual	Budget	Actual
Revenues		<del></del>		
Taxes	\$ 16,834	\$ 16,549	\$ (285)	\$ 16,033
Intergovernmental revenues				
Federal grants	-	-	-	266,816
State of Michigan gas and weight	46,259	47,411	1,152	44,884
State grants	-	-	-	66,704
State trunkline maintenance	10,671	10,671	-	12,040
Interest	1,197	1,267	70	4,029
Refunds and reimbursement	31,100	31,100		1,779
Total Revenues	106,061	106,998	937	412,285
Expenditures				
Trunkline maintenance				
Wages and benefits	4,486	4,618	132.	5,436
Equipment rental	5,200	5,279	<b>7</b> 9	3,777
Materials	230	230	-	-
Preservation				
Wages and benefits	31,236	31,306	70	7,722
Equipment rental	30,952	30,887	(65)	6,815
Materials	14,140	14,198	58	1,669
Contract services	206,336	206,337	1.	439,318
Snow and ice control				
Wages and benefits	5,254	5,605	351	2,295
Equipment rental	5,800	6,324	524	1,994
Administration and Record Keeping				
Accounting	450	450	-	422
Administrative reimbursement	2,900	2,906	6	2,906
Building rent	1,071	1,071	_	1,071
Insurance	1,995	1,995	-	577
Miscellaneous	4,275	4,276	1	294
Total Expenditures	314,325	315,482	1,157	474,296
,				
Excess (Deficiency) of Revenues Over Expenditures	(208,264)	(208,484)	(220)	(62,011)
Other Financing Sources				
Operating transfers in	205,000	205,000	-	
•				
Excess (Deficiency) of Revenues				
and Other Financing Sources Over Expenditures	(3,264)	(3,484)	(220)	(62,011)
Fund Balance, Beginning	51 <i>1</i> 26	51,426	_	113,437
Fund Balance, Ending	51,426 \$ 48,162	\$ 47,942	\$ (220)	\$ 51,426
4.2	2 = +0,102	Ψ 41,042	Ψ (ΖΖΟ)	Ψ 01,720
See accompanying notes.		-		

#### Village of Merrill Local Street Fund Comparative Balance Sheets February 29, 2007 and February 28, 2007

As <u>sets</u>	 2008	2007		
Cash	\$ 87,786	\$	128,008	
Taxes receivable	900		1,147	
Due from State of Michigan	2,969		3,004	
Total Assets	\$ 91,655	\$	132,159	
<u>Liabilities and Fund Balance</u> Liabilities Accounts payable Unreserved Total Liabilities and Fund Balance	\$ 61 91,594 91,655	\$	132,159 132,159	

#### Village of Merrill Local Street Fund

#### Statement of Revenues, Expenditures, and Changes

#### in Fund Balance--Budget and Actual

for the Year Ended February 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

	2008							2007
	i	Budget		Over (Under) Actual Budget				Actual
Revenues	_				•	(005)	_	40.000
Taxes	\$	16,834	\$	16,549	\$	(285)	\$	16,033
State of Michigan gas and weight		16,147		16,526		379		16,638
Interest		4,350		<u>4,365</u>		<u>15</u>		4,603
Total Revenues		37,331		37,440		109		37,274
Expenditures								
Preservation								
Salaries and wages		2,975		2,948		(27)		2,056
Equipment rental		2,712		2,702		(10)		2,066
Contract services		2,911		2,909		(2)		-
Materials		5,245		5,302		57		1,363
Snow and ice control								
Salaries and wages		3,900		3,981		81		2,230
Equipment rental		5,300		5,295		(5)		1,505
Administration and Record Keeping								
Accounting		450		450		-		422
Insurance		441		441		-		384
Administrative reimbursement		2,900		2,906		6		2,906
Building rent		1,071		1,071		-		1,071
Miscellaneous								39
Total Expenditures		27,905		28,005		100		14,042
Excess (Deficiency) of Revenues							•	
Over Expenditures		9,426		9,435		9		23,232
Other Financing Sources		•						
Operating transfers in (out)		(50,000)		(50,000)		<del>-</del>		
Excess (Deficiency) of Revenues and Other Financing Sources								
Over Expenditures		(40,574 <u>)</u>		(40,565)		9	_	23,232
Fund Balance, Beginning		132,159		132,159		-		108,927
Fund Balance, Ending	\$_	91,585	<u>\$</u>	91,594	<u>\$</u>	9	<u>\$</u>	132,159
See accompanying notes.								

#### Village of Merrill Special Projects Fund Comparative Balance Sheets February 29, 2008 and February 28, 2007

٨	e,	~~	٠,	_
	ς:	9	21	c

·		2008	2007		
Cash	\$	51,223	\$	84,380	
Total Assets	\$	51,223	\$	84,380	
<u>Liabilities and Fund Balance</u>					
Accounts payable	\$	2,200	\$	_	
Total Liabilities					
Fund Balance					
Designated		49,023		84,380	
Total Liabilities and Fund Balance	_\$	51,223	<u>\$</u>	84,380	

#### Village of Merrill Special Projects Fund

#### Statement of Revenues, Expenditures and Changes

#### In Fund Balance-Budget and Actual

#### For the Year Ended February 29, 2008

(With Comparative Actual Amounts for the Year Ended February 28, 2007)

			2007		
			Over	(Under)	
	Budget	Actual	B	udget	Actual
Revenues			•	(0.0)	A 0.440
Interest Earned	\$ 2,400	\$ 2,361	_\$	(39)	\$ 2,148
Total Revenues	2,400	2,361		(39)	2,148
Expenditures					
Parking lot	4,989	4,988		(1)	250
Capital outlay	34,531	36,730_		2,199	112,450
Total Expenditures	39,520	41,718		2,198	112,700
Excess (Deficiency) of					
Revenues Over					
Expenditures	(37,120)	(39,357)		(2,237).	(110,552)
Other Financing Sources					
(Uses)					
Operating transfers in	4,000	4,000			80,000
Total Other Financing Sources (Uses)	4,000	4,000_			80,000
Excess (Deficiency) of					
Revenues and Other Financing					
Sources Over Expenditures and					
other Financing Uses	(33,120)	(35,357)		(2,237)	(30,552)
, and the second					
Fund Balance, Beginning	84,380	84,380			114,932
Fund Balance, Ending	\$ 51,260	\$ 49,023	\$	(2,237)	\$ 84,380
,					

#### VILLAGE OF MERRILL ENTERPRISE FUNDS

Sewer Fund

Water Fund

#### Village of Merrill Sewer Fund Comparative Statements of Net Assets February 29, 2008 and February 28, 2007

<u>Assets</u>		
Current assets:	2008	2007
Cash	\$ 18,379	\$ 5,792
Investments	251,382	239,890
Accounts receivable	25,025	31,901
Total current assets	294,786	277,583
Noncurrent assets:		
Capital Assets	1,084,545	1,084,545
Accumulated depreciation	(655,409)	(638,334)
Total noncurrent assets	<b>429</b> ,136	446,211
Total Assets	<u>\$ 723,922</u>	\$ 723,794
<u>Liabilities and Net Assets</u> Liabilities		
Accounts payable	\$ 2,081	\$ 2,142
Total Liabilities	2,081	2,142
Net Assets		
Investment in capital assets	429,136	446,211
Unrestricted	292,705	275,441
Total Net assets	721,841	<u>721,652</u>
Total Liabilities and Net Assets	\$ 723,922	\$ 723,794

### Village of Merrill Sewer Fund

## Comparative Statements of Revenues and Expenses and Changes in Net Assets

#### For the Years Ended February 29, 2008 and February 28, 2007

	2008		2007	
Operating Revenues				
Charge for services	\$	61,172	\$	55,897
Operating Expenses				
Wage and benefits		25,942		38,988
Audit		1,223		1,161
Administrative charge		8,636		8,573
Supplies		3,076		1,888
Utilities		1,078		1,176
Insurance		1,155		769
Building rental		2,678		2,678
Equipment rental		8,354		12,474
Depreciation		17,075		24,768
Miscellaneous		4,842		4,126
Total Operating Expenses		74,059		96,601
Operating Loss		(12,887)		(40,704)
Nonoperating Revenues (Expenses)				
Interest earned		11,660		10,093
Insurance proceeds		1,416		10,359
Net Nonoperating Revenues		13,076		20,452
Net Income (Loss) before transfers		189		(20,252)
Transfers in (out)			· · · · · · · · · · · · · · · · · · ·	(10,000)
Change in net assets		189		(30,252)
Net assets at beginning of year		721,652		751,904
Net assets at end of year	\$	721,841	\$	721,652

#### Village of Merrill Water Fund Comparative Statements of Net Assets February 29, 2008 and February 28, 2007

<u>Assets</u>				
Current assets:		2008		2007
Accounts receivable	\$	548_	\$	
Total current assets		548		_
Noncurrent assets: Capital Assets Accumulated depreciation Total noncurrent assets Total Assets	\$	5,263,227 (34,855) 5,228,372 5,228,920	\$	3,373,533 - 3,373,533 3,373,533
Liabilities and Net Assets				
Liabilities Current liabilities				
Accounts payable	\$	2,619	\$	44
Current portion of contracts payable	Ψ	40,000	Ψ	
Total Liabilities		42,619		44
Total Elabilitos		,		<del></del>
Noncurrent Liabilities				
Contracts payable (net of current portion)		3,430,000		3,370,000
Total Liabilities		3,472,619		3,370,044
Net Assets				
Investment in capital assets		1,758,372		3,533
Unrestricted		(2,071)		(44)
Total Net assets		1,756,301		3,489
Total Liabilities and Net	•		z h	0.070.500
Assets	\$	5,228,920	<u>\$</u>	3,373,533

#### Village of Merrill Water Fund

## Comparative Statements of Revenues and Expenses and Changes in Net Assets

For the Years Ended February 29, 2008 and February 28, 2007

	2008		2007	
Operating Revenues				
Charge for services	\$	1,966	\$	<u>.</u>
Operating Expenses				
Wage and benefits		44,325		21,955
Audit		-		563
Administrative charge		-		2,199
Supplies		24,015		168
Utilities		5,383		-
Insurance		1,177		118
Building rental		-		-
Equipment rental		10,580		4,946
Depreciation		34,855		
Miscellaneous		8,170		1,852
Attorney fees		<u>.</u>		250
Total Operating Expenses		128,505		32,051
Operating Loss		(126,539)		(32,051)
Nonoperating Revenues (Expenses)				
Interest expense		(142,228)		_
Interest earned		10,234		_
Contributions from other governments		151,948		
Contributed capital		1,797,000		_
Net Nonoperating Revenues		1,816,954		-
Net Income (Loss) before transfers		1,690,415		(32,051)
Transfers (out)		(35,181)		_
Transfers in		97,578		35,540
Total transfers in (out)		62,397		35,540
Change in net assets		1,752,812		3,489
Net assets at beginning of year		3,489		-
Net assets at end of year	\$	1,756,301	\$	3,489

#### VILLAGE OF MERRILL INTERNAL SERVICE FUND

Equipment Fund

# Village of Merrill Equipment Fund Comparative Balance Sheets February 29, 2008 and February 28, 2007

<u>Assets</u>	2008	2007
Cash	\$ 111,004	\$ 63,532
Total current assets	111,004	63,532
Noncurrent assets:		
Capital assets	274,062	267,262
Accumulated depreciation	(192,713)	(168,367)
Total capital assets	81,349	98,895
Total Assets	\$ 192,353	<u>\$ 162,427</u>
<u>Liabilities and Net Assets</u> Liabilities  Accounts payable  Total Liabilities	\$ 9,341 9,341	\$ 1,218 1,218
Net Assets	24.040	66.865
Investment in capital assets	81,349	98,895
Unrestricted	101,663	62,314
Total Net Assets Total Liabilities and Net	183,012	161,209
Assets	\$ 192,3 <u>53</u>	\$ 162,427

#### Village of Merrill Equipment Fund

## Comparative Statements of Revenues and Expenses and Changes in Retained Earnings

For the Years Ended February 29, 2008 and February 28, 2007

	2008			2007	
Operating Revenues	•				
Charge for services			_		
General Fund	\$	27,322	\$	28,328	
Major Street Fund		42,490		12,586	
Local Street Fund		7,853		3,570	
Sewer Fund		8,330		12,474	
Water Fund		9,870		<u>4,946</u>	
Total Operating Revenues		95,865		61,904	
Operating Expenses					
Wages and benefits		9,750		10,326	
Audit		1,155		1,055	
Supplies		3,923		2,301	
Insurance		5,413		4,996	
Repairs and maintenance		80		1,283	
Depreciation		24,346		40,970	
Building rent		2,678		2,678	
Administrative reimbursement		7,265		7,265	
Utilities		4,936		3,153	
Miscellaneous		17,398		<u> 15,121</u>	
Total Operating Expenses		76,944		89,148	
Operating Profit (Loss)		18,921	<del></del>	(27,244)	
Non-operating Revenues (Expenses)					
Interest earned		2,882		2,175	
Total Nonoperating Revenues		2,882		2,175	
Total Nonoperating Neventies		2,002		2,175	
Net Income (Loss)		21,803		(25,069)	
Net Assets, Beginning		161,209		186,278	
Net Assets, Ending	\$	183,012	\$	161,209	

#### Village of Merrill Schedule of Indebtedness February 29, 2008

#### Business-type Activities Contract payable-Water Project Interest Rate 4.375% Date of Issue 8/11/2006 Amount of Issue \$1,055,000

For the Fiscal	Annual Principal	Semian Interest Pa	ayment	Total Fiscal Year
Year Ending	1-May	<u>1-May</u>	<u> 1-Nov</u>	Requirement
2009	\$ 10,000	\$ 23,078	\$ 23,078	\$ 56,156
2010	15,000	22,859	22,859	60,718
2011	15,000	22,531	22,531	60,062
2012	15,000	22,203	22,203	59,406
2013	20,000	21,875	21,875	63,750
2014	20,000	21,438	21,438	62,876
2015	20,000	21,000	21,000	62,000
2016	20,000	20,563	20,563	61,126
2017	25,000	20,125	20,125	65,250
2018	25,000	19,578	19,578	64,156
2019	25,000	19,031	19,031	63,062
2020	25,000	18,484	18,484	61,968
2021	25,000	17,938	17,938	60,876
2022	25,000	17,391	17,391	59,782
2023	25,000	16,844	16,844	58,688
2024	25,000	16,297	16,297	57,594
2025	25,000	15,750	15,750	56,500
2026	25,000	15,203	15,203	55,406
2027	30,000	14,656	14,656	59,312
2028	30,000	14,000	14,000	58,000
2029	30,000	13,344	13,344	56,688
2030	30,000	12,688	12,688	55,376
2031	30,000	12,031	12,031	54,062
2032	30,000	11,375	11,375	52,750
2033	30,000	10,719	10,719	51,438
2034	30,000	10,062	10,062	50,124
2035	30,000	9,406	9,406	48,812
2036	30,000	8,750	8,750	47,500
2037	30,000	8,094	8,094	46,188
2038	30,000	7,438	7,438	44,876
2039	30,000	6,781	6,781	43,562
2040	35,000	6,125	6,125	47,250
2041	35,000	5,359	5,359	45,718
2042	35,000	4,594	4,594	44,188
2043	35,000	3,828	3,828	42,656
2044	35,000	3,063	3,063	41,126
2045	35,000	2,297	2,297	39,594
2046	35,000	1,531	1,531	38,062
2047	35,000	766	766	36,532
	\$ 1,055,000	\$ 519,095	\$ 519,095	\$2,093,190

### Village of Merrill Schedule of Indebtedness February 29, 2008

Business-type Activities Contract payable-Water Project Interest Rate 4.500% Date of Issue 8/11/2006 Amount of Issue \$2,415,000

For the Fiscal	Annual Principal	Semiar Interest P		Total Fiscal Year
Year Ending	1-May	1-May	1-Nov	Requirement
2009	\$ 30,000	\$ 54,338	\$ 54,338	\$ 138,676
2010	30,000	53,663	53,663	137,326
2011	50,000	52,988	52,988	155,976
2012	50,000	51,863	51,863	153,726
2013	50,000	50,738	50,738	151, <del>4</del> 76
2014	50,000	49,613	49,613	149,226
2015	60,000	48,488	48,488	156,976
2016	60,000	47,138	47,138	154,276
2017	60,000	45,788	45,788	151,576
2018	60,000	44,438	44,438	148,876
2019	60,000	43,088	43,088	146,176
2020	60,000	41,738	41,738	143,476
2021	60,000	40,388	40,388	140,776
2022	60,000	39,038	39,038	138,076
2023	60,000	37,688	37,688	135,376
2024	65,000	36,338	36,338	137,676
2025	65,000	34,875	34,875	134,750
2026	65,000	33,413	33,413	131,826
2027	65,000	31,950	31,950	128,900
2028	65,000	30,488	30,488	125,976
2029	65,000	29,025	29,025	123,050
2030	65,000	27,563	27,563	120,126
2031	65,000	26,100	26,100	117,200
2032	65,000	24,638	24,638	114,276
2033	65,000	23,175	23,175	111,350
2034	65,000	21,713	21,713	108,426
2035	65,000	20,250	20,250	105,500
2036	65,000	18,788	18,788	102,576
2037	70,000	17,325	17,325	104,650
2038	70,000	15,750	15,750	101,500
2039	70,000	14,175	14,175	98,350
2040	70,000	12,600	12,600	95,200
2041	70,000	11,025	11,025	92,050
2042	70,000	9,450	9,450	88,900
2043	70,000	7,875	7,875	85,750
2044	70,000	6,300	6,300	82,600
2045	70,000	4 <b>,72</b> 5	4,725	79,450
2046	70,000	3,150	3,150	76,300
2047	70,000	1,575_	1,575	73,150
	\$ 2,415,000	\$ 1,163,261	\$1,163,261	\$ 4,741,522

#### CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Cardner Giacamo Provenzano James R. Schauman Heather A. Thomas

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 24, 2008

Members of the Village Council Village of Merrill, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Merrill, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village of Merrill, Michigan's basic financial statements and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Merrill, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Merrill, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Merrill, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Merrill, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance

Members of the Village Council June 24, 2008 Page Two

with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Merrill, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Merrill, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Merrill, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Merrill, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Village Council and is not intended and should not be used by anyone other than these specified parties.

Saretner, Procentants, Dellauman & Thomas, P. C. Certified Public Accountants

#### CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner Ciacamo Provenzano James R. Schauman Heather A. Thomas

June 24, 2008

Members of the Village Council Merrill, Michigan

In planning and performing our audit of the financial statements of Village of Merrill for the year ended February 29, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

During the course of our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. It is as follows:

#### Agreement with Jonesfield Township

We noted the Village does not have a signed agreement with Jonesfield Township in regard to reimbursement for operating cost in the Water fund. Since the General fund of the Village has been subsidizing the Water fund for the past two years, we recommend that a written agreement be signed as soon as possible with Jonesfield Township to address the sharing of operating costs in the Water fund.

Certified Public Accountants